

## Message Text

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ACTION EUR-12

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TAGS: PINT ECIN DA

SUBJECT: AGREEMENT REACHED ON ECONOMIC MEASURES

REF: COPENHAGEN 2413

SUMMARY: PRIME MINISTER ANKER JORGENSEN'S SOCIAL  
DEMOCRATS HAVE SUCCEEDED IN LINING UP A COMFORTABLE  
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PARLIAMENTARY MAJORITY IN THIS WEEK'S SPECIAL SESSION TO

SPEED THROUGH A NUMBER OF IMPORTANT ECONOMIC MEASURES DESIGNED TO STIMULATE THE ECONOMY AND DECREASE UNEMPLOYMENT. ALTHOUGH IT IS PREMATURE TO MAKE PRECISE PREDICTIONS, ABOUT \$850 MILLION WILL BE PUMPED INTO THE ECONOMY OVER THE NEXT 15 MONTHS AND PERHAPS 50,000 NEW JOBS WILL BE CREATED. THE "DEFECTION" OF THE ERSTWHILE PARTNER-PARTIES OF THE LIBERALS ISOLATED THEM AND ULTIMATELY FORCED THEM INTO JOINING THE AGREEMENT. ALTHOUGH THE LIBERALS CAN CONTINUE TO MANEUVER, THE RESULTING FIVE-PARTY COMPROMISE PORTENDS DURABILITY AND CONSIDERABLY LESSENS THE CHANCES FOR NEW ELECTIONS OVER THE NEXT YEAR OR SO. AT LEAST FROM THE POLITICAL VIEWPOINT, ANKER JORGENSEN DESERVES THE ACCOLADES HE HAS RECEIVED FROM ALMOST THE FULL SPECTRUM OF THE DANISH PRESS. END SUMMARY.

1) THE TENSE POLITICAL ATMOSPHERE THAT HAS PREVAILED FOLLOWING THE CALL BY ANKER JORGENSEN'S SOCIAL DEMOCRATIC GOVERNMENT FOR A SPECIAL PARLIAMNTARY SESSION HAS BEEN LARGELY DISSIPATED. AFTER ALL-NIGHT DISCUSSIONS ON THE EVE OF THE SPECIAL SESSION'S OPENING ON SEPTEMBER 8, A COMPROMISE WAS REACHED BETWEEN THE SOCIAL DEMOCRATS AND THE MAJOR OPPOSITION PARTY, THE LIBERALS, ON A CRISIS PLAN TO STIMULATE THE DANISH ECONOMY AND, WITH IT, ALLEVAITE UNEMPLOYMENT, CURRENTLY AT THE LEVEL OF FIVE PERCENT OF THE WORKING FORCE OR ABOUT 115,000.

2). IN ADDITION TO THE LIBERALS, THE SOCIAL DEMOCRATS ALSO HAVE THE SUPPORT OF THE RADICALS, THE CHRISTIAN PEOPLE'S PARTY AND THE CENTER DEMOCRATS. WITH 122 OF THE CHAMBE'S 179 SEATS THUS LINED UP, THE PLAN IS ASSURED OF SAFE PASSAGE THROUGH THE PARLIAMENT. THE PRESENT TELEGRAM SETS OUT THE FRAMEWORK OF THE COMPROMISE AND COMMENTS ON THE POLITICAL FACTORS BEHIND IT. FURTHER ECONOMIC ANALYSIS WILL BE THE SUBJECT OF SEPARATE MESSAGES.

3) BILLS TO IMPLEMENT THE EIGHT SPECIFIC MEASURES AGREED UPON ARE BEING SPED THROUGH THE FOLKETING THIS WEEK. IT IS TOO EARLY TO PREDICT THEIR PRECISE ECONOMIC CONSEQUENCES. THE PRESS, HOWEVER, FORECASTS THAT ABOUT DKK 5 BILLION (ABOUT US \$850 MILLION) WILL BE PUMPED INTO LIMITED OFFICIAL USE

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THE DANISH ECONOMY OVER A PERIOD OF 15 MONTHS (MOST OF IT IN THE FIRST 6) AND THAT APPROXIMATELY 50,000 NEW JOBS WILL BE CREATED.

4) AMONG THE IMPORTANT STEPS THAT WILL BE TAKEN ARE A 5.75 PERCENT REDUCTION IN THE VALUE ADDED TAX TO 9.25 PERCENT FOR A FIVE MONTH PERIOD; THE RELEASE OF COMPULSORY SAVINGS; AND STIMULATION OF PUBLIC WORKS CONSTRUCTION AND

PRIVATE BUSINESS INVESTMENT. THE LABOR UNIONS ARE CALLED UPON TO EXERCISE "RESTRAINT" IN WAGE DEMANDS, AND AN EASE IN INCOME TAX IS PROMISED, PERHAPS BEGINNING APRIL 1977.

5) COMMENT: IT APPEARS THAT THE MAIN CONCESSION OF THE SOCIAL DEMOCRATS TO THE LIBERALS WAS TO AGREE WITH THEIR DEMANDS THAT THE GOVERNMENT CUT BACK PROJECTED EXPENDITURES OVER THE NEXT THREE YEARS BY DKR 4.5 BILLION (ABOUT US\$750 MILLION). THE GOVERNMENT HAD ORIGINALLY PROPOSED A "SAVINGS" OF DKR 2 BILLION (ABOUT US\$340 MILLION). THE LIBERALS, ON THE OTHER HAND, HAD TO DROP THEIR DEMANDS FOR A WAGE-FREEZE UNTIL 1979 IN FAVOR OF A "REQUEST" FOR WAGE RESTRAINT. OTHER CONCESSIONS WERE ALSO INVOLVED ON BOTH SIDES ALTHOUGH THE OVERALL FRAMEWORK OF THE PACKAGE REMAINS ESSENTIALLY A SOCIAL DEMOCRATIC CONSTRUCTION.

6) MANY OBSERVERS WERE SURPRISED THAT POUL HARTLING'S LIBERALS IN THE FINAL ANALYSIS JOINED THE COMPROMISE AGREEMENT. ONE ELEMENT WHICH CERTAINLY PUSHED THEM TO JOIN WAS THE PROSPECTS OF POLITICAL ISOLATION ON THIS MAJOR ISSUE. THE OTHER CENTER PARTIES HAD BEEN DRAWN AWAY FROM THE LIBERALS INTO AN ALLIANCE WITH THE SOCIAL DEMOCRATS. THIS INCLUDED EVEN THE LIBERALS' STAUNCHED PARLIAMENTARY SUPPORTERS, THE CHRISTIAN PEOPLE'S PARTY.

7) THE LIBERALS CONSEQUENTLY FOUND THEMSELVES ALONE IN THE HOUSE EXCEPT FOR THE THREE PARTIES OF THE EXTREME LEFT (SOCIAL PEOPLE'S COMMUNISTS AND LEFT SOCIALISTS) AND MOGENS GLISTRUP'S MAVERICK PROGRESSIVES ON THE RIGHT. HARDLY COMPANY THE PROPER LIBERALS WISHED TO KEEP. FURTHERMORE, AND MOST IMPORTANTLY, THE SOCIAL DEMOCRATS COULD HAVE CARRIED THE PARLIAMENTARY DAY (BY ONE VOTE) WITHOUT THE LIBERALS AND WITHOUT GLISTRUP OR THE FAR LEFT.

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8) IN THIS SITUATION, HARTLING APPARENTLY DECIDED HE HAD TO THROW HIS LOT IN WITH HIS ERSTWHILE CENTER ALLIES AND GO WITH THE SOCIAL DEMOCRATS. IT IS ALREADY APPARENT THAT THE LIBERALS ARE ATTEMPTING TO STEAL THE SPOTLIGHT FROM THE CENTER PARTIES FOR THEIR "STATEMANLIKE" COMPROMISE. HARTLING IS ALSO IN A POSITION TO CLAIM HE ACHIEVED SUBSTANTIAL MODIFICATIONS IN THE ORIGINAL SOCIAL DEMOCRATIC PROPOSALS. IN FUTURE MANEUVERS, HE CAN LATER SHARE IN WHATEVER SUCCESS THE GOVERNMENT'S PROGRAM ACHIEVES OR CRITICIZE IT IF IT FAILS.

9) UNLESS THE ECONOMIC ILL WINDS OF THE NEXT YEAR BLOW AT HURRICANE FORCE, HOWEVER, THIS AGREEMENT PORTENDS DURABILITY. FURTHERMORE, DANGEROUS GENERAL ELECTIONS ARE

ALMOST INVARIABLY FOUGHT OVER DOMESTIC ECONOMIC QUESTIONS.  
AND SINCE THIS AGREEMENT COVERS A BROAD ECONOMIC AREA,  
CHANCES OF ELECTIONS OVER, SAY, THE NEXT TWO YEARS HAVE  
BEEN RESTRICTED.

10) THE DANISH PRESS POF PRACTICALLY ALL POLITICAL CORORA  
TION HAS ALUTED THE COMPROMISE AS AN IMPORTANT VICTORY  
FOR THE SOCIAL DEMOCRATS IN GENERAL AND PRIME MINISTER  
ANKER JORGENSEN IN PARTICULAR. FOR EXAMPLE, POLITIKEN  
(RADICAL INDEPENDT) CHARACTERIZES IT AS "ANKER  
JORGENSEN'S GREATEST VICTORY".

11) MUCH OF THIS PRAISE IS DESERVED AND IS YET ANOTHER  
EXAMPLE OF JORGENSEN'S GROWTH IN STATURE AND POLITICAL  
ACUMEN SINCE THE LESS HAPPY DAYS OF HIS PREVIOUS  
GOVERNMENT (1972-73) WHICH ENJOYED THE SUPPORT OF THE  
SOCIALIST PEOPLE'S PARTY.  
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## Message Attributes

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